

**Tennessee Board of Regents
State Technical Institute at Memphis**

**For the Years Ended
June 30, 2000, and June 30, 1999**

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

August 16, 2001

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

The Honorable Charles W. Manning, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and

Dr. Nathan L. Essex, President
Southwest Tennessee Community College
5983 Macon Cove
Memphis, Tennessee 38134

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, State Technical Institute at Memphis, for the years ended June 30, 2000, and June 30, 1999. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/mb
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State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
State Technical Institute at Memphis
For the Years Ended June 30, 2000, and June 30, 1999

AUDIT OBJECTIVES

The objectives of the audit were to consider the institute's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

AUDIT FINDINGS

The audit report contains no findings.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
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Audit Report
Tennessee Board of Regents
State Technical Institute at Memphis
For the Years Ended June 30, 2000, and June 30, 1999

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**Tennessee Board of Regents
State Technical Institute at Memphis
For the Years Ended June 30, 2000, and June 30, 1999**

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Tennessee Board of Regents, State Technical Institute at Memphis. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any state governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

In 1963, the Tennessee General Assembly stated that the State Board of Vocational Education would establish regional technical schools to provide technical training in locations the board deemed necessary. Memphis was chosen as the site of one of the technical schools. State Technical Institute at Memphis’ first regular program of instruction began with the 1967 fall quarter. The institute was governed by the State Board of Vocational Education through the Tennessee Department of Education, Division of Vocational-Technical Education, until July 1, 1983. At that time, the 93rd General Assembly transferred the institute to the Tennessee Board of Regents.

State Technical Institute at Memphis offers two-year, college-level programs to prepare adults for employment as technicians in engineering, physical science, and computer science. These two-year programs lead to an Associate of Applied Science degree in Business, Computers, or Engineering Technologies. Also, the institute offers special programs and courses to meet the needs of industry, business, and government.

ORGANIZATION

The governance of State Technical Institute at Memphis is vested in the Tennessee Board of Regents. The Governor, the Commissioner of Education, the Commissioner of Agriculture, and the

Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The chief administrative officer of the institute is the president, who is assisted and advised by members of the faculty and administrative staff.

AUDIT SCOPE

The audit was limited to the period July 1, 1998, through June 30, 2000, and was conducted in accordance with government auditing standards generally accepted in the United States of America. Financial statements are presented for the years ended June 30, 2000, and June 30, 1999. State Technical Institute at Memphis is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the institute's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
 2. to determine compliance with certain provisions of laws, regulations, contracts, and grants;
 3. to determine the fairness of the presentation of the financial statements; and
 4. to recommend appropriate actions to correct any deficiencies.
-

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The institute filed its report with the Department of Audit on December 20, 1999. A follow-up of the prior audit finding was conducted as part of the current audit.

RESOLVED AUDIT FINDING

The current audit disclosed that the institute has corrected the previous audit finding concerning controls over restricted revenues and accounts receivable.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the institute's financial statements for the years ended June 30, 2000, and June 30, 1999, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by government auditing standards generally accepted in the United States of America. Consideration of internal control over financial reporting disclosed no material weaknesses.

Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the institute's financial statements.



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
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PHONE (615) 741-3697
FAX (615) 532-2765**

**Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance With
*Government Auditing Standards***

June 1, 2001

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of State Technical Institute at Memphis, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 2000, and June 30, 1999, and have issued our report thereon dated June 1, 2001. We conducted our audit in accordance with government auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the institute's financial statements are free of material misstatement, we performed tests of the institute's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Honorable John G. Morgan
June 1, 2001
Page Two

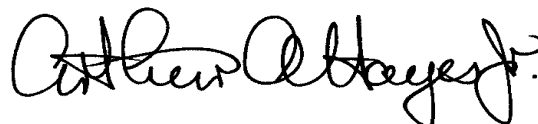
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the institute's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting, which we have reported to the institute's management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Hayes Jr.", with a stylized flourish at the end.

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/mb



**STATE OF TENNESSEE
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Independent Auditor's Report

June 1, 2001

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying balance sheets of State Technical Institute at Memphis, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 2000, and June 30, 1999, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the institute's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with government auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

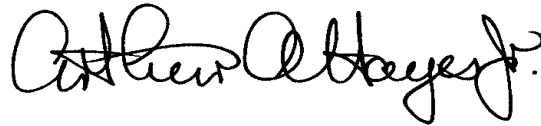
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, State Technical Institute at Memphis, as of June 30, 2000, and June 30, 1999, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable John G. Morgan
June 1, 2001
Page Two

As discussed in Note 12, the institute changed the threshold for capitalizing equipment.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2001, on our consideration of the institute's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." with a stylized flourish at the end.

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/mb

TENNESSEE BOARD OF REGENTS
STATE TECHNICAL INSTITUTE AT MEMPHIS
BALANCE SHEETS
JUNE 30, 2000, AND JUNE 30, 1999

| | <u>June 30, 2000</u> | <u>June 30, 1999</u> | | <u>June 30, 2000</u> | <u>June 30, 1999</u> |
|--|----------------------|----------------------|---------------------------------------|----------------------|----------------------|
| <u>ASSETS</u> | | | <u>LIABILITIES AND FUND BALANCES</u> | | |
| Current funds: | | | Current funds: | | |
| Unrestricted: | | | Unrestricted: | | |
| General: | | | General: | | |
| Cash (Notes 2 and 3) | \$ 2,113,106.89 | \$ 1,558,924.89 | Liabilities: | | |
| Accrued interest receivable | 291.25 | - | Accounts payable | \$ 158,253.19 | \$ 158,720.20 |
| Accounts receivable (net of allowance of \$212,800.00 at June 30, 2000, and \$144,400.00 at June 30, 1999) | 1,309,724.14 | 837,224.31 | Accrued liabilities | 308,503.93 | 274,773.32 |
| Inventories | 51,504.77 | 26,338.92 | Student deposits | 16,785.07 | 16,785.07 |
| Prepaid expenses and deferred charges | 294,352.00 | 82,572.88 | Deferred revenue | 1,539,878.50 | 1,458,795.25 |
| Due from restricted current funds | 869,175.40 | 908,426.42 | Compensated absences | 1,624,401.48 | 1,602,245.78 |
| | | | Other liabilities | 317,248.52 | 284,774.59 |
| | | | Total liabilities | 3,965,070.69 | 3,796,094.21 |
| | | | Fund balances: | | |
| | | | Nondiscretionary allocations: | | |
| | | | Allocation for working capital | 1,265,569.73 | 534,814.01 |
| | | | Allocation for encumbrances | 289,125.04 | 77,433.80 |
| | | | Allocation for technology access fees | 96,090.79 | 64,304.66 |
| | | | Allocation for compensated absences | (1,624,401.48) | (1,602,245.78) |
| | | | Unallocated | 646,699.68 | 543,086.52 |
| | | | Total fund balances | 673,083.76 | (382,606.79) |
| Total general | 4,638,154.45 | 3,413,487.42 | Total general | 4,638,154.45 | 3,413,487.42 |
| Auxiliary enterprises: | | | Auxiliary enterprises: | | |
| Cash (Notes 2 and 3) | 13,091.80 | 11,156.10 | Fund balances: | | |
| Accounts receivable | 27,478.30 | 25,944.68 | Nondiscretionary allocation: | | |
| | | | Allocation for working capital | 27,478.30 | 25,944.68 |
| | | | Discretionary allocation: | | |
| | | | Allocation for contingencies | 13,091.80 | 11,156.10 |
| Total auxiliary enterprises | 40,570.10 | 37,100.78 | Total auxiliary enterprises | 40,570.10 | 37,100.78 |
| Total unrestricted | 4,678,724.55 | 3,450,588.20 | Total unrestricted | 4,678,724.55 | 3,450,588.20 |
| Restricted: | | | Restricted: | | |
| Accrued interest receivable | 216.59 | 217.55 | Liabilities: | | |
| Accounts and grants receivable | 1,362,781.98 | 1,244,328.77 | Accounts payable | 246,972.31 | 117,033.05 |
| Prepaid expenses and deferred charges | - | 9,600.00 | Accrued liabilities | 10,636.67 | 16,375.21 |
| | | | Due to unrestricted current funds | 869,175.40 | 908,426.42 |
| | | | Total liabilities | 1,126,784.38 | 1,041,834.68 |
| | | | Fund balance | 236,214.19 | 212,311.64 |
| Total restricted | 1,362,998.57 | 1,254,146.32 | Total restricted | 1,362,998.57 | 1,254,146.32 |
| Total current funds | \$ 6,041,723.12 | \$ 4,704,734.52 | Total current funds | \$ 6,041,723.12 | \$ 4,704,734.52 |
| Endowment and similar funds: | | | Endowment and similar funds: | | |
| Cash (Notes 2 and 3) | \$ - | \$ 30,000.00 | Fund balances: | | |
| Investments (Note 4) | 8,039.32 | 8,223.34 | Endowment | \$ - | \$ 30,000.00 |
| | | | Term endowment | 8,039.32 | 8,223.34 |
| Total endowment and similar funds | \$ 8,039.32 | \$ 38,223.34 | Total endowment and similar funds | \$ 8,039.32 | \$ 38,223.34 |

TENNESSEE BOARD OF REGENTS
STATE TECHNICAL INSTITUTE AT MEMPHIS
BALANCE SHEETS
JUNE 30, 2000, AND JUNE 30, 1999

| | June 30, 2000 | June 30, 1999 | | June 30, 2000 | June 30, 1999 |
|-----------------------------------|------------------|------------------|---|------------------|------------------|
| <u>ASSETS</u> | | | <u>LIABILITIES AND FUND BALANCES</u> | | |
| Plant funds: | | | Plant funds: | | |
| Unexpended plant: | | | Unexpended plant: | | |
| Cash (Notes 2 and 3) | \$ 1,599,872.98 | \$ 1,684,093.47 | Liabilities: | | |
| LGIP deposit - capital projects | 97,773.81 | 276,053.04 | Other liabilities | \$ - | \$ 162,953.70 |
| | | | | | |
| | | | Fund balance: | | |
| | | | Unrestricted (Note 5) | 1,697,646.79 | 1,797,192.81 |
| Total unexpended plant | 1,697,646.79 | 1,960,146.51 | Total unexpended plant | 1,697,646.79 | 1,960,146.51 |
| | | | | | |
| Renewals and replacements: | | | Renewals and replacements: | | |
| Cash (Notes 2 and 3) | 1,267,893.13 | 1,654,251.37 | Fund balance: | | |
| | | | Unrestricted (Note 5) | 1,267,893.13 | 1,654,251.37 |
| Total renewals and replacements | 1,267,893.13 | 1,654,251.37 | Total renewals and replacements | 1,267,893.13 | 1,654,251.37 |
| | | | | | |
| Retirement of indebtedness: | | | Retirement of indebtedness: | | |
| Cash (Notes 2 and 3) | 14,124.79 | 14,589.96 | Liabilities: | | |
| | | | Accrued interest payable | 13,539.23 | 13,983.72 |
| | | | Other liabilities | 585.56 | 606.24 |
| Total retirement of indebtedness | 14,124.79 | 14,589.96 | Total retirement of indebtedness | 14,124.79 | 14,589.96 |
| | | | | | |
| Investment in plant: | | | Investment in plant: | | |
| Land | 3,039,223.96 | 2,955,766.13 | Liabilities: | | |
| Buildings | 17,931,626.07 | 17,367,187.90 | Tennessee State School Bond Authority | | |
| Improvements other than buildings | 2,580,365.14 | 1,847,449.91 | indebtedness (Note 6) | 1,756,684.15 | 1,818,706.23 |
| Equipment | 4,075,779.38 | 10,108,241.64 | | | |
| Library books | 2,335,104.00 | 2,369,520.00 | Fund balance: | | |
| Other library holdings | 1,189,684.00 | 1,167,485.00 | Net investment in plant | 29,523,247.25 | 35,231,513.54 |
| Construction in progress | 128,148.85 | 1,234,569.19 | | | |
| Total investment in plant | 31,279,931.40 | 37,050,219.77 | Total investment in plant | 31,279,931.40 | 37,050,219.77 |
| | | | | | |
| Total plant funds | \$ 34,259,596.11 | \$ 40,679,207.61 | Total plant funds | \$ 34,259,596.11 | \$ 40,679,207.61 |
| | | | | | |
| Agency funds: | | | Agency funds: | | |
| Foundation: | | | Foundation: | | |
| Cash (Notes 2 and 3) | \$ 438,163.24 | \$ 366,955.83 | Liabilities: | | |
| Investments (Note 4) | 3,160.00 | 2,944.00 | Accounts payable | \$ 1,580.90 | \$ 440.00 |
| Accrued interest receivable | 21.99 | 8.40 | Deposits held in custody for foundation | 439,764.33 | 369,468.23 |
| Total foundation | 441,345.23 | 369,908.23 | Total foundation | 441,345.23 | 369,908.23 |
| | | | | | |
| Nonfoundation: | | | Nonfoundation: | | |
| Cash (Notes 2 and 3) | 292,936.54 | 41,962.05 | Liabilities: | | |
| | | | Deposits held in custody for others | 292,936.54 | 41,962.05 |
| Total nonfoundation | 292,936.54 | 41,962.05 | Total nonfoundation | 292,936.54 | 41,962.05 |
| | | | | | |
| Total agency funds | \$ 734,281.77 | \$ 411,870.28 | Total agency funds | \$ 734,281.77 | \$ 411,870.28 |

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
STATE TECHNICAL INSTITUTE AT MEMPHIS
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2000

| | Current Funds | | | Plant Funds | | | |
|--|------------------|---------------|--------------------------------|-----------------|------------------------------|-------------------------------|------------------------|
| | Unrestricted | Restricted | Endowment and Similar Funds | Unexpended | Renewals and Replacements | Retirement of Indebtedness | Investment In Plant |
| REVENUES AND OTHER ADDITIONS | | | | | | | |
| Unrestricted current fund revenues | \$ 29,039,707.86 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Auxiliary enterprise revenues | 261,835.96 | - | - | - | - | - | - |
| State appropriations | - | 93,000.00 | - | 109,203.65 | - | - | - |
| Federal grants and contracts | - | 4,423,927.26 | - | - | - | - | - |
| State grants and contracts | - | 1,572,936.95 | - | - | - | - | - |
| Local grants and contracts | - | 33,573.18 | - | - | - | - | - |
| Private gifts, grants, and contracts | - | 377,759.11 | - | - | - | - | - |
| Investment income | - | 2,905.45 | - | - | - | 196.16 | - |
| Endowment income | - | 2,329.38 | - | - | - | - | - |
| Expended for plant facilities (including \$354,471.10 charged to current fund expenditures) | - | - | - | - | - | - | 836,870.06 |
| Retirement of indebtedness | - | - | - | - | - | - | 62,022.08 |
| Equipment inventory adjustment | - | - | - | - | - | - | 6,493.90 |
| Other | - | 8,876.17 | - | - | - | - | 83,457.83 |
| Total revenues and other additions | 29,301,543.82 | 6,515,307.50 | - | 109,203.65 | - | 196.16 | 988,843.87 |
| EXPENDITURES AND OTHER DEDUCTIONS | | | | | | | |
| Educational and general expenditures | 27,972,056.95 | 6,128,588.71 | - | - | - | - | - |
| Auxiliary enterprise expenditures | 32,000.00 | - | - | - | - | - | - |
| Indirect costs recovered | - | 187,291.92 | - | - | - | - | - |
| Refunded to grantors | - | 20,443.51 | - | - | - | - | - |
| Net decrease in the fair value of investments | - | - | 184.02 | - | - | - | - |
| Expended for plant facilities | - | - | - | 190,933.06 | 291,465.90 | - | - |
| Expended for noncapital items | - | - | - | 23,931.49 | 178,203.97 | - | - |
| Administrative and collection costs | - | - | - | - | - | 3,616.74 | - |
| Retirement of indebtedness | - | - | - | - | - | 62,022.08 | - |
| Interest on indebtedness | - | - | - | - | - | 83,457.83 | - |
| Disposal of plant facilities | - | - | - | - | - | - | 902,763.27 |
| Library holdings revaluation | - | - | - | - | - | - | 153,922.76 |
| Other | - | 155,080.81 | 30,000.00 | - | - | - | - |
| Total expenditures and other deductions | 28,004,056.95 | 6,491,404.95 | 30,184.02 | 214,864.55 | 469,669.87 | 149,096.65 | 1,056,686.03 |
| TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS) | | | | | | | |
| Mandatory: | | | | | | | |
| Principal and interest | (148,900.49) | - | - | - | - | 148,900.49 | - |
| Nonmandatory: | | | | | | | |
| Unexpended plant | (88,579.51) | - | - | 88,579.51 | - | - | - |
| Renewals and replacements | (847.00) | - | - | (82,464.63) | 83,311.63 | - | - |
| Total transfers | (238,327.00) | - | - | 6,114.88 | 83,311.63 | 148,900.49 | - |
| Net increases (decreases) for the year | 1,059,159.87 | 23,902.55 | (30,184.02) | (99,546.02) | (386,358.24) | - | (67,842.16) |
| Fund balances at beginning of year | (345,506.01) | 212,311.64 | 38,223.34 | 1,797,192.81 | 1,654,251.37 | - | 35,231,513.54 |
| Cumulative effect of a change in accounting principle (Note 12) | - | - | - | - | - | - | (5,640,424.13) |
| Fund balances at beginning of year, as restated | (345,506.01) | 212,311.64 | 38,223.34 | 1,797,192.81 | 1,654,251.37 | - | 29,591,089.41 |
| Fund balances at end of year | \$ 713,653.86 | \$ 236,214.19 | \$ 8,039.32 | \$ 1,697,646.79 | \$ 1,267,893.13 | \$ - | \$ 29,523,247.25 |

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
STATE TECHNICAL INSTITUTE AT MEMPHIS
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1999

| | Current Funds | | | Plant Funds | | | |
|--|------------------|---------------|--------------------------------|-----------------|------------------------------|-------------------------------|------------------------|
| | Unrestricted | Restricted | Endowment and Similar Funds | Unexpended | Renewals and Replacements | Retirement of Indebtedness | Investment In Plant |
| REVENUES AND OTHER ADDITIONS | | | | | | | |
| Unrestricted current fund revenues | \$ 28,295,275.08 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Auxiliary enterprise revenues | 223,122.04 | - | - | - | - | - | - |
| State appropriations | - | 92,850.00 | - | 344,968.12 | - | - | - |
| Federal grants and contracts | - | 3,550,755.89 | - | - | - | - | - |
| State grants and contracts | - | 1,186,101.74 | - | - | - | - | - |
| Local grants and contracts | - | 24,790.00 | - | - | - | - | - |
| Private gifts, grants, and contracts | - | 369,289.67 | - | - | - | - | - |
| Investment income | - | 2,503.48 | - | - | - | 7,257.07 | - |
| Endowment income | - | 2,133.64 | - | - | - | - | - |
| Expended for plant facilities (including \$805,145.15 charged to current fund expenditures) | - | - | - | - | - | - | 1,741,650.26 |
| Other | - | 58.40 | - | - | - | - | 98,146.13 |
| Total revenues and other additions | 28,518,397.12 | 5,228,482.82 | - | 344,968.12 | - | 7,257.07 | 1,839,796.39 |
| EXPENDITURES AND OTHER DEDUCTIONS | | | | | | | |
| Educational and general expenditures | 28,024,615.60 | 5,144,108.40 | - | - | - | - | - |
| Auxiliary enterprise expenditures | 34,709.63 | - | - | - | - | - | - |
| Indirect costs recovered | - | 8,278.24 | - | - | - | - | - |
| Refunded to grantors | - | 4,004.48 | - | - | - | - | - |
| Net decrease in the fair value of investments | - | - | 443.84 | - | - | - | - |
| Expended for plant facilities | - | - | - | 579,991.53 | 356,513.58 | - | - |
| Expended for noncapital items | - | - | - | 31,877.75 | 5,382.10 | - | - |
| Administrative and collection costs | - | - | - | - | - | 12,774.66 | - |
| Interest on indebtedness | - | - | - | - | - | 98,146.13 | - |
| Disposal of plant facilities | - | - | - | - | - | - | 240,774.46 |
| Equipment inventory adjustments | - | - | - | - | - | - | 292,112.65 |
| Library holdings revaluation | - | - | - | - | - | - | 172,518.00 |
| Increase in indebtedness | - | - | - | - | - | - | 15,706.23 |
| Other | - | 19,985.90 | - | - | - | - | - |
| Total expenditures and other deductions | 28,059,325.23 | 5,176,377.02 | 443.84 | 611,869.28 | 361,895.68 | 110,920.79 | 721,111.34 |
| TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS) | | | | | | | |
| Mandatory: | | | | | | | |
| Principal and interest | (95,622.34) | - | - | - | - | 95,622.34 | - |
| Nonmandatory: | | | | | | | |
| Unexpended plant | (132,408.78) | - | - | 132,408.78 | - | - | - |
| Renewals and replacements | (325,906.05) | - | - | - | 325,906.05 | - | - |
| Total transfers | (553,937.17) | - | - | 132,408.78 | 325,906.05 | 95,622.34 | - |
| Net increases (decreases) for the year | (94,865.28) | 52,105.80 | (443.84) | (134,492.38) | (35,989.63) | (8,041.38) | 1,118,685.05 |
| Fund balances at beginning of year | (250,640.73) | 160,205.84 | 38,667.18 | 1,931,685.19 | 1,690,241.00 | 8,041.38 | 34,112,828.49 |
| Fund balances at end of year | \$ (345,506.01) | \$ 212,311.64 | \$ 38,223.34 | \$ 1,797,192.81 | \$ 1,654,251.37 | \$ - | \$ 35,231,513.54 |

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
STATE TECHNICAL INSTITUTE AT MEMPHIS
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 2000

| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u> |
|--|------------------------|---------------------|------------------------|
| REVENUES | | | |
| Tuition and fees | \$ 9,098,845.13 | \$ - | \$ 9,098,845.13 |
| State appropriations | 18,463,700.00 | 93,000.00 | 18,556,700.00 |
| Federal grants and contracts | 6,437.76 | 4,263,263.97 | 4,269,701.73 |
| State grants and contracts | - | 1,516,277.89 | 1,516,277.89 |
| Local grants and contracts | - | 32,068.65 | 32,068.65 |
| Private gifts, grants, and contracts | 416,853.03 | 221,648.82 | 638,501.85 |
| Investment income | 367,201.04 | - | 367,201.04 |
| Endowment income | - | 2,329.38 | 2,329.38 |
| Sales and services of auxiliary enterprises | 261,835.96 | - | 261,835.96 |
| Other sources | 686,670.90 | - | 686,670.90 |
| Total current revenues | <u>29,301,543.82</u> | <u>6,128,588.71</u> | <u>35,430,132.53</u> |
| EXPENDITURES AND TRANSFERS | | | |
| Educational and general: | | | |
| Expenditures: | | | |
| Instruction | 16,232,551.65 | 2,222,726.95 | 18,455,278.60 |
| Public service | 168,632.00 | - | 168,632.00 |
| Academic support | 2,024,118.82 | 243,683.72 | 2,267,802.54 |
| Student services | 3,084,856.37 | 197,237.37 | 3,282,093.74 |
| Institutional support | 3,509,233.20 | 1,461,907.31 | 4,971,140.51 |
| Operation and maintenance of plant | 2,333,026.18 | - | 2,333,026.18 |
| Scholarships and fellowships | 619,638.73 | 2,003,033.36 | 2,622,672.09 |
| Total educational and general expenditures | <u>27,972,056.95</u> | <u>6,128,588.71</u> | <u>34,100,645.66</u> |
| Mandatory transfer for: | | | |
| Principal and interest | 148,900.49 | - | 148,900.49 |
| Nonmandatory transfer for: | | | |
| Unexpended plant | 88,579.51 | - | 88,579.51 |
| Total educational and general | <u>28,209,536.95</u> | <u>6,128,588.71</u> | <u>34,338,125.66</u> |
| Auxiliary enterprises: | | | |
| Expenditures | | | |
| Nonmandatory transfer for: | 32,000.00 | - | 32,000.00 |
| Renewals and replacements | 847.00 | - | 847.00 |
| Total auxiliary enterprises | <u>32,847.00</u> | <u>-</u> | <u>32,847.00</u> |
| Total expenditures and transfers | <u>28,242,383.95</u> | <u>6,128,588.71</u> | <u>34,370,972.66</u> |
| OTHER ADDITION (DEDUCTIONS) | | | |
| Excess of restricted receipts over transfers to revenues | | | |
| | - | 386,718.79 | 386,718.79 |
| Indirect costs recovered | - | (187,291.92) | (187,291.92) |
| Refunded to grantors | - | (20,443.51) | (20,443.51) |
| Other deductions | - | (155,080.81) | (155,080.81) |
| Net increases in fund balances | <u>\$ 1,059,159.87</u> | <u>\$ 23,902.55</u> | <u>\$ 1,083,062.42</u> |

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
STATE TECHNICAL INSTITUTE AT MEMPHIS
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1999

| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u> |
|--|-----------------------|---------------------|-----------------------|
| <u>REVENUES</u> | | | |
| Tuition and fees | \$ 8,308,558.70 | \$ - | \$ 8,308,558.70 |
| State appropriations | 18,527,300.00 | 92,850.00 | 18,620,150.00 |
| Federal grants and contracts | 8,278.24 | 3,520,537.51 | 3,528,815.75 |
| State grants and contracts | - | 1,184,887.46 | 1,184,887.46 |
| Local grants and contracts | - | 18,581.77 | 18,581.77 |
| Private gifts, grants, and contracts | 600,209.00 | 325,118.02 | 925,327.02 |
| Investment income | 307,415.44 | - | 307,415.44 |
| Endowment income | - | 2,133.64 | 2,133.64 |
| Sales and services of auxiliary enterprises | 223,122.04 | - | 223,122.04 |
| Other sources | 543,513.70 | - | 543,513.70 |
| Total current revenues | <u>28,518,397.12</u> | <u>5,144,108.40</u> | <u>33,662,505.52</u> |
| <u>EXPENDITURES AND TRANSFERS</u> | | | |
| Educational and general: | | | |
| Expenditures: | | | |
| Instruction | 16,073,411.32 | 1,764,227.75 | 17,837,639.07 |
| Public service | 171,152.23 | - | 171,152.23 |
| Academic support | 2,297,141.24 | 205,663.38 | 2,502,804.62 |
| Student services | 3,133,029.35 | 258,939.71 | 3,391,969.06 |
| Institutional support | 3,396,033.66 | 1,011,487.04 | 4,407,520.70 |
| Operation and maintenance of plant | 2,254,021.50 | - | 2,254,021.50 |
| Scholarships and fellowships | 699,826.30 | 1,903,790.52 | 2,603,616.82 |
| Total educational and general expenditures | <u>28,024,615.60</u> | <u>5,144,108.40</u> | <u>33,168,724.00</u> |
| Mandatory transfer for: | | | |
| Principal and interest | 95,622.34 | - | 95,622.34 |
| Nonmandatory transfers for: | | | |
| Unexpended plant | 132,408.78 | - | 132,408.78 |
| Renewals and replacements | 325,000.00 | - | 325,000.00 |
| Total educational and general | <u>28,577,646.72</u> | <u>5,144,108.40</u> | <u>33,721,755.12</u> |
| Auxiliary enterprises: | | | |
| Expenditures | 34,709.63 | - | 34,709.63 |
| Nonmandatory transfer for: | | | |
| Renewals and replacements | 906.05 | - | 906.05 |
| Total auxiliary enterprises | <u>35,615.68</u> | <u>-</u> | <u>35,615.68</u> |
| Total expenditures and transfers | <u>28,613,262.40</u> | <u>5,144,108.40</u> | <u>33,757,370.80</u> |
| <u>OTHER ADDITION (DEDUCTIONS)</u> | | | |
| Excess of restricted receipts over transfers to revenues | - | 84,374.42 | 84,374.42 |
| Indirect costs recovered | - | (8,278.24) | (8,278.24) |
| Refunded to grantors | - | (4,004.48) | (4,004.48) |
| Other deductions | - | (19,985.90) | (19,985.90) |
| Net increase (decrease) in fund balances | <u>\$ (94,865.28)</u> | <u>\$ 52,105.80</u> | <u>\$ (42,759.48)</u> |

The notes to the financial statements are an integral part of this statement.

**Tennessee Board of Regents
State Technical Institute at Memphis
Notes to the Financial Statements
June 30, 2000, and June 30, 1999**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The institute is a part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides financial support; the system is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The university uses the AICPA College Guide model for accounting and financial reporting.

Basis of Accounting

The financial statements have been prepared on the accrual basis, except that depreciation on plant assets is not recorded and revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted. All restricted resources are recorded as additions to the fund balances of the appropriate fund groups. Restricted current resources are then recorded as revenues during the period in which they are expended. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the funds are accounted for as (1) expenditures, for normal replacement of movable equipment and library holdings; (2) mandatory transfers, for required debt amortization and interest; and (3) nonmandatory transfers, for all other cases.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available, the institute maintains accounts in accordance with the principles of fund

Tennessee Board of Regents
State Technical Institute at Memphis
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999

accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds. This income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds. All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Current Funds

Unrestricted current funds consist of those funds over which the institute retains full control for use in achieving its authorized institutional purposes. Auxiliary enterprises activities are included in unrestricted current funds and include the bookstore and food services. Restricted current funds are externally restricted and may be used only in accordance with the purposes established by their source.

Endowment and Similar Funds

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be used. Term endowment funds are

**Tennessee Board of Regents
State Technical Institute at Memphis
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

similar to endowment funds, except that after a stated period of time or a particular event, all or part of the principal may be expended.

Plant Funds

The plant funds group consists of (1) funds set aside for the acquisition of physical properties for institutional purposes; (2) funds set aside for the renewal and replacement of institutional properties; (3) funds set aside for debt service charges and for the retirement of the indebtedness on institutional properties; and (4) funds expended for, and thus invested in, institutional properties.

Agency Funds

In handling these funds, the institute acts solely as an agent; consequently, transactions of these funds do not affect the institute's operating statements.

LGIP Deposit – Capital Projects

Payments related to the institute's capital projects are made by the State of Tennessee's Department of Finance and Administration. The institute's estimated local share of the cost of each project is held in a separate Local Government Investment Pool (LGIP) account. As expenditures are incurred, funds are withdrawn from the LGIP account by the Tennessee Board of Regents and transferred to the Department of Finance and Administration. The funds in the account are not available to the institute for any other purpose until the project is completed and any remaining funds are released by the Tennessee Board of Regents.

Inventories

Inventories are valued at cost on an average cost or first-in, first-out basis.

Compensated Absences

The institute's employees accrue annual leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. The amount of these liabilities and their related benefits are recorded in the current funds. Since the liability is expected to be funded primarily from future unrestricted revenue sources, a related allocation has been made to the current fund balances so that these fund balances reflect current available funds.

**Tennessee Board of Regents
State Technical Institute at Memphis
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

Allocation for Working Capital

The unrestricted fund balance is allocated for the amount of working capital. "Working capital" is defined as the total of all petty cash, accounts receivable, inventories, and prepaid expenses in the unrestricted fund at the balance sheet date, except for student receivables credited to deferred revenue, accrued interest, and amounts due on federal letters of credit, less the accrued benefits on accrued faculty salaries.

Plant Assets

The physical plant and equipment are stated at cost at date of purchase or at fair value at date of donation. Library books are valued at \$48 per volume, and other library holdings are valued at various standardized values, which approximate current costs. Depreciation on the physical plant and equipment is not recorded.

In the case of service departments, the institute charges renewal and replacement of plant assets to current expenditures; these charges are also reported as additions to funds for renewals and replacements.

Interest Costs

The institute has adopted a policy of capitalizing all interest costs for capital projects funded by Tennessee State School Bond Authority indebtedness. All other interest costs are expensed.

State Technical Institute at Memphis Foundation

The college is the sole beneficiary of the State Technical Institute at Memphis Foundation. This private, nonprofit foundation is controlled by a board of citizens from the institute's service area who are independent of the institute and are appointed by the institute's president and other members of the foundation's executive committee. The financial records, investments, and other financial transactions are handled by the institute, and the assets and liabilities of the foundation are included in the agency funds on the institute's balance sheet.

**Tennessee Board of Regents
State Technical Institute at Memphis
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

NOTE 2. CASH

This classification includes demand deposits and petty cash on hand. At June 30, 2000, cash consisted of \$427,220.83 in bank accounts, \$10,000.00 of petty cash on hand, and \$5,301,968.54 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer. At June 30, 1999, cash consisted of \$408,807.58 in bank accounts, \$13,000.00 of petty cash on hand, and \$4,940,126.09 in the State of Tennessee Local Government Investment Pool.

NOTE 3. DEPOSITS

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. Tennessee Board of Regents policies require that the market value of collateral pledged equal 100% of the uninsured deposits at financial institutions participating in the collateral pool and 105% of the uninsured deposits at all other financial institutions.

The institute's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

The institute also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's investment policy and custodial credit risk are presented in the *Tennessee Comprehensive Annual Financial Report*.

NOTE 4. INVESTMENTS

The institute is authorized by statute to invest funds in accordance with Tennessee Board of Regents policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies backed by the full faith and credit of the United States; repurchase agreements for United States securities; certificates of deposit

**Tennessee Board of Regents
State Technical Institute at Memphis
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

in banks and savings and loan associations; bankers' acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the institute and that endowment investments be prudently diversified. The State Technical Institute at Memphis Foundation is authorized to invest funds in accordance with its board of directors' policies. All investments permitted to be reported at fair value under GASB Statement 31 are reported at fair value, including those with a maturity date of one year or less at the time of purchase.

The institute's/foundation's investments are categorized below to indicate the level of risk assumed by the institute/foundation at year-end. Category 1 consists of insured or registered investments or investments for which the securities are held by the institute/foundation or its agent in the institute's/foundation's name.

| <u>June 30, 2000</u> | <u>Fair Value</u> |
|--|---------------------------|
| Category 1: | |
| U.S. government securities | \$6,860.04 |
| Corporate stocks | 3,160.00 |
| Investments not susceptible to credit risk categorization: | |
| Mutual funds | 1,179.28 |
| Total investments on the balance sheet | <u>\$11,199.32</u> |
| <u>June 30, 1999</u> | <u>Fair Value</u> |
| Category 1: | |
| U.S. government securities | \$7,021.59 |
| Corporate stocks | 2,944.00 |
| Investments not susceptible to credit risk categorization: | |
| Mutual funds | 1,201.75 |
| Total investments on the balance sheet | <u>\$11,167.34</u> |

**Tennessee Board of Regents
State Technical Institute at Memphis
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

NOTE 5. PLANT FUND ENCUMBRANCES

Plant fund encumbrances outstanding at June 30, 2000, amounted to \$199,196.00 for unexpended plant. Plant fund encumbrances outstanding at June 30, 1999, amounted to \$19,800.00 for unexpended plant and \$9,693.42 for renewals and replacements.

NOTE 6. TSSBA INDEBTEDNESS

Bond issues, with interest rates ranging from 4.3% to 5.0% for Tennessee State School Bond Authority bonds, are due serially to 2018 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the institute, including state appropriations.

The institute's debt service requirements to maturity for all bonds payable at June 30, 2000, are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-----------------------|---------------------|-----------------------|
| 2001 | \$64,628.05 | \$ 84,748.71 | \$ 149,376.76 |
| 2002 | 67,494.61 | 81,840.46 | 149,335.07 |
| 2003 | 70,882.38 | 78,803.20 | 149,685.58 |
| 2004 | 73,748.95 | 75,613.49 | 149,362.44 |
| 2005 | 77,136.70 | 72,294.80 | 149,431.50 |
| 2006-2018 | <u>1,402,793.46</u> | <u>540,207.43</u> | <u>1,943,000.89</u> |
| | <u>\$1,756,684.15</u> | <u>\$933,508.09</u> | <u>\$2,690,192.24</u> |

NOTE 7. PENSION PLANS

A. Defined Benefit Plan

Tennessee Consolidated Retirement System

Plan Description - The institute contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer, defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits

**Tennessee Board of Regents
State Technical Institute at Memphis
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Department of the Treasury, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230, or by calling (615) 741-8202.

Funding Policy - Plan members are noncontributory. The institute is required to contribute an actuarially determined rate. The current rate is 5.43% of annual covered payroll. Contribution requirements for the institute are established and may be amended by the TCRS' Board of Trustees. The institute's contributions to TCRS for the years ended June 30, 2000, 1999, and 1998, were \$545,691.41, \$552,656.96, and \$359,597.31. Contributions met the requirements for each year.

B. Defined Contribution Plans

Optional Retirement Plans (ORP)

Plan Description - The institute contributes to three defined contribution plans: Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), Aetna Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are administered by the Tennessee Department of the Treasury. Each plan provides retirement benefits to faculty and staff who are exempt from the overtime provisions of the Fair Labor Standards Act and who waive membership in the TCRS. Benefits depend solely on amounts contributed to the plan plus investment earnings. Plan provisions are established by state statute in Title 8, Chapter 35, Part 4, *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly.

Funding Policy - Plan members are noncontributory. The institute contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contribution made by the institute to

**Tennessee Board of Regents
State Technical Institute at Memphis
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

the plans was \$583,411.93 for the year ended June 30, 2000, and \$538,796.07 for the year ended June 30, 1999. Contributions met the requirements for each year.

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible institute retirees. This benefit is provided and administered by the State of Tennessee. The institute assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*.

NOTE 9. INSURANCE-RELATED ACTIVITIES

The state purchases commercial insurance for real property losses above \$5 million per year and surety bond coverage on the state's officials and employees. During the year ended June 30, 1999, the state incurred losses in Clarksville and Jackson due to damage from tornadoes. Final settlement has not been made, but the state is expected to receive approximately \$6 million. Of this amount, \$2.5 million has been received to date. No additional claims have been filed with the commercial insurer during the year ended June 30, 2000. In the prior two fiscal years, the state had not had any claims filed with the commercial insurer. A designation for casualty losses in the amount of \$7.256 million at June 30, 2000, and \$8.219 million at June 30, 1999, was established in the state's general fund to provide for any property losses not covered by the commercial insurance.

At June 30, 2000, the scheduled coverage for the institute was \$36,693,000 for buildings and \$14,679,700 for contents. At June 30, 1999, the scheduled coverage was \$37,234,300 for buildings and \$17,158,400 for contents.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The institute participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the institute based on a percentage of the institute's expected loss costs, which include both experience

**Tennessee Board of Regents
State Technical Institute at Memphis
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Since the institute participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the institute for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The institute participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the institute based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Sick Leave - The institute records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was \$6,491,588.54 at June 30, 2000, and \$6,422,906.51 at June 30, 1999.

Operating Leases - The institute has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenditures under operating leases for real property were \$281,906.97 and for personal property were \$295,358.40 for the year ended June 30, 2000. The amounts for the year ended June 30, 1999, were \$296,150.24 and \$232,657.92. All operating leases are cancelable at the lessee's option.

Construction in Progress - At June 30, 2000, outstanding commitments under construction contracts totaled \$132,456.83 for classroom buildings, power and air conditioning, building

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upgrades, and ADA improvements, of which \$39,854.58 will be funded by future state capital outlay appropriations.

NOTE 11. PLEDGES

At June 30, 2000, unrecorded pledges totaled \$22,420.95 and were restricted to scholarships. These pledges are due to be collected over the next fiscal year. It is not practicable to estimate the net realizable value of such pledges; therefore, they are not reflected in the accompanying financial statements.

NOTE 12. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2000, the threshold for capitalizing equipment increased from \$1,000 to \$5,000. As a result of the change, equipment decreased by \$5,640,424.13.

NOTE 13. UNRECORDED DONATION

Property located at Wilson Road and Bender has been donated to the Tennessee Board of Regents for State Technical Institute at Memphis and Shelby State Community College. The valuation for each institution and the holder of the title have not yet been determined.

NOTE 14. SUBSEQUENT EVENT

During the 1999 session, the 101st General Assembly amended *Tennessee Code Annotated*, Title 49, Chapter 8, to create a new community college. The legislation abolished Shelby State Community College and State Technical Institute at Memphis as of July 1, 2000, and transferred their campuses, property, programs, assets, rights, duties, obligations, and debts to the new institution, Southwest Tennessee Community College.